

**CITY OF SEATTLE**  
**King County, Washington**  
**January 1, 1994 Through December 31, 1994**

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**Schedule Of Findings**

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1.     The City Should Comply With Competitive Bidding Requirements For Public Work Projects

The city recently undertook an extensive renovation of the Seattle Center Coliseum, now known as Key Arena. The original contract, in the amount of \$44.4 million, was awarded pursuant to development of plans and specifications and a published call for bids. As part of the overall renovation, the city also planned to construct a parking garage, but intended to bid it separately, so that project was not included in the initial contract.

It later became clear that the original parking design was not workable and modifications were required which extended the actual construction time. Putting the parking garage project out to bid thus carried the risk that the city would overrun certain time constraints set forth in its agreement with the Seattle Supersonics, causing a loss of revenues. Consequently, the Seattle Center negotiated the construction of the parking garage as a change order with the general contractor for a price of \$4.7 million.

The city's action violates RCW 35.22.620, which requires a city of the first class to award public works in excess of fifty thousand dollars only after competitive bidding has taken place. RCW 39.04.010 defines public works as:

... all work, construction, alteration, repair or improvement other than ordinary maintenance, executed at the cost of ... any municipality ...

Although change orders to a construction contract are allowable in various instances, we believe the nature and the cost of the parking garage project effectively made it a separate undertaking which should have been competitively bid.

City officials had been advised by counsel that the change order was legally allowable, and evidently acted in good faith.

Without competitive bidding, other contractors are denied the opportunity to compete for work on public projects.

We recommend the city call for bids on all projects falling within the requirements of RCW 35.22.620.

2. The City Should Strengthen Controls Over Traffic Citations

During our 1992 audit, we noted weaknesses in the city's accounting for citations and tracking their status. Improvements were made with respect to parking citations through the use of hand-held ticket writers. However, weaknesses remain in controls over the other citations. In particular, we found:

- a. The municipal court orders all blank citation books, then issues them to the police department. Serial numbers of books issued are entered into the Municipal Court Information System (MCIS). As citations are turned in to the court, they too are entered into MCIS. Court staff periodically generate a report which lists the serial numbers of citations not turned in. In many instances the status of these items cannot be determined.
- b. Control is lax over the issuance and use of citation books in the police department. In some instances the books are not checked out to individual officers, but to supervisors who then hand them out without requiring further accountability. In addition, two or more officers may write citations out of the same book.

RCW 46.64.010 states in part:

The chief administrative officer of every such traffic enforcement agency shall be responsible for the issuance of such (citation) books and shall maintain a record of every such book and each citation contained therein issued to individual members of the traffic enforcement agency and shall require and retain a receipt for every book so issued.

It also states:

The chief administrative officer . . . shall require the return to him of a copy of every traffic citation issued by an officer . . . and all copies of every traffic citation which has been spoiled or upon which an entry has been made and not issued . . . .

It also states:

Every record of traffic citations required in this section shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible.

Seattle Municipal Code 11.32.080 states:

The original or a copy of every citation issued by an enforcement officer shall be transmitted to the Municipal Court of Seattle as soon as is practicable.

Without proper controls over the issuance, tracking and recording of citations, there is increased risk that the city could lose revenues through error or irregularity and not detect such losses in a timely manner.

We recommend the city implement a system of controls that will enable officials to know the accountability, status and disposition of all traffic citations.

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**Schedule Of Federal Findings**

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1. Internal Controls Over Preparation Of The Schedule Of Federal Financial Assistance Should Be Strengthened

The City of Seattle lacks an adequate system to ensure the accuracy and completeness of the Schedule of Federal Financial Assistance (SFFA). This condition also applies to the Schedule of State Financial Assistance (SSFA) as both schedules are produced in one continuous report.

The SFFA and SSFA as originally presented contained the following errors:

- a. A portion of HUD Community Development Block Grant program income, \$485,693, was shown as matching contributions.
- b. HUD Home Program grant revenue of \$2,100,109 was shown as program income.
- c. City matching funds amounting to \$556,456 in the BPA Energy Smart program were omitted.
- d. BPA Conservation Resource grant revenue was reported as \$26,982,394 but was actually \$2,235,964.
- e. Department of Education Public Library Services grant revenue was reported as \$12,704 but was actually \$54,000.
- f. For two state Department of Ecology grants, total revenues were reported as \$1,279,334 but were actually \$415,508. Total expenditures were reported as \$5,000,284 but were actually \$415,808.
- g. For a state Library Commission grant, revenue was reported as \$1,320,110 but was actually \$1,192,758. Expenditures were reported as \$575,575 but were actually \$1,192,758.

These errors occurred because grant accounting is essentially done by the departments administering the grants, but the grant schedules are produced in the finance department. Review of the schedules is inconsistent from department to department; two departments said they had never seen the SFFA or the SSFA.

The SFFA provides the basis for audit procedures required by the Single Audit Act of 1984. An inaccurate schedule results in misdirected audit effort and increased audit costs. This matter was also a finding in our previous audit report.

The SFFA and the SSFA included in this report have been corrected in response to the errors noted above.

We again recommend city officials establish and implement a system of internal controls to ensure the accuracy and completeness of the Schedule of Federal Financial Assistance and the Schedule of State Financial Assistance.

2. The City Should Ensure That All Subrecipients Are Audited In Accordance With Requirements

The Department of Housing and Human Services (DHHS) administers the Home Investment Partnership (Home) Program. Among other activities, this program makes or guarantees loans to private nonprofit organizations for the rehabilitation or construction of low-income multiple family housing. Office of Management and Budget (OMB) Circular A-128 requires recipients of federal awards, who provide \$25,000 or more annually to private nonprofit subrecipients, to determine whether such subrecipients have met the audit requirements of OMB Circular A-133. As of December 31, 1994, seven of these organizations had not been audited.

OMB Circular A-133 requires private nonprofit subrecipients to undergo audits at least every two years. The audits must be performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

Because this part of the Home Program involved the making of loans rather than direct outlays, management did not believe that subrecipient audits were required.

Without timely audits of its subrecipients, the city cannot ensure that its federal funds are being spent properly or effectively.

We recommend DHHS require all subrecipients receiving \$25,000 or more annually to be audited in accordance with OMB Circular A-133.